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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
HORSEMEN'S BOOKKEEPER ACCOUNT  
NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**MARCH 31, 2010**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

3/2/11



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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
HORSEMEN'S BOOKKEEPER ACCOUNT  
NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
HORSEMEN'S BOOKKEEPER ACCOUNT**

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**Independent Auditors' Report**

The Board of Directors  
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.  
Horsemen's Bookkeeper Account

We have audited the accompanying statement assets, liabilities, and net assets – modified cash basis of the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (the Bookkeeper Account) as of March 31, 2010, and the related statement of receipts and disbursements – modified cash basis for the year then ended. These financial statements are the responsibility of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bookkeeper Account as of March 31, 2009 were audited by other auditors whose report dated September 29, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bookkeeper Account's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – modified cash basis of the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. as of March 31, 2010, and the receipts and disbursements – modified cash basis for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010, on our consideration of the Bookkeeper Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Postlethwaite + Nettenville*

Metairie, Louisiana  
October 14, 2010

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
HORSEMEN'S BOOKKEEPER ACCOUNT**

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
MARCH 31, 2010 AND 2009**

	<b><u>ASSETS</u></b>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 8,177,532	\$ 10,915,876
Investments (Note 4)	10,073,916	10,082,177
Accrued interest receivable	85,421	82,021
Due from others	<u>246,274</u>	<u>-</u>
Total assets	<u>\$ 18,583,143</u>	<u>\$ 21,080,074</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Due to horsemen	\$ 18,261,577	\$ 21,080,074
Due to related party	159,337	-
Due to other	<u>162,229</u>	<u>-</u>
Total liabilities	<u>18,583,143</u>	<u>21,080,074</u>
Net assets:		
Total net assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 18,583,143</u>	<u>\$ 21,080,074</u>

See accompanying notes to financial statements.

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
HORSEMEN'S BOOKKEEPER ACCOUNT**

**STATEMENTS OF RECEIPTS AND DISBURSEMENTS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Due to Horsemen, beginning of the year	\$ 21,080,074	\$ 21,647,895
Cash receipts		
Purses	96,850,675	103,531,972
Owner/Trainer deposits	8,172,941	9,882,275
Louisiana Breeders video poker	3,280,359	3,434,763
Interest income	398,304	384,737
Miscellaneous income	5,405	37,507
Jockey payroll administrative income	8,677	9,273
Total cash receipts	<u>108,716,361</u>	<u>117,280,527</u>
Cash disbursements		
Owner/Trainer distributions	98,486,027	105,951,721
Jockey payroll / jockey guild	9,611,045	8,053,266
2% Commissions - LTBA/LQHBA breeder awards	1,090,172	1,182,720
LAHBPA - workers' compensation fees	981,997	1,212,305
Parish sales taxes	441,904	540,348
LAHBPA - interest transfer to 1993, Inc.	387,286	390,827
LAHBPA - pony lead fees - 1993, Inc.	387,090	154,039
LAHBPA - pony lead fees - horsemen's pension trust	-	244,049
Bank charges	92,245	28,061
Horsemen's Alliance (PAC)	43,010	44,232
Miscellaneous transfer to 1993, Inc.	5,405	37,507
LAHBPA - jockey payroll administrative fee - 1993, Inc.	8,677	9,273
Total cash disbursements	<u>111,534,858</u>	<u>117,848,348</u>
Cash disbursements in excess of cash receipts	<u>(2,818,497)</u>	<u>(567,821)</u>
Due to Horsemen, end of the year	<u>\$ 18,261,577</u>	<u>\$ 21,080,074</u>

See accompanying notes to financial statements.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**1. Summary of Significant Accounting Policies**

**Organization and Operations**

The Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. is a non-profit organization which has been recognized as an authorized representative that shall represent members and other horsemen racing at licensed race meetings held in the State of Louisiana for the purpose of, but not limited to, negotiating contracts for such horsemen with all racing associations licensed by the State of Louisiana, relative to purses, hospitalization, medical benefits, conditions, and all other matters of interest and concern to such horsemen.

At each race meeting conducted in the State of Louisiana pursuant to the provisions of the Louisiana State Racing Commission, there shall be a bookkeeper for the collections, disbursement, and investment of monies belonging to horsemen licensed at such a race meeting that shall be known as the Horsemen's Bookkeeper. The Horsemen's Bookkeeper shall be bonded, selected, and employed by the authorized representative of horsemen racing in the State of Louisiana, the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Each association conducting a race meeting shall provide a separate office for the Horsemen's Bookkeeper who shall collectively keep a separate bank account for the horsemen's monies to be known as the "Horsemen's Bookkeeper Account". At all times the Horsemen's Bookkeeper Account shall have on deposit funds sufficient to cover all monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies, if any, for horsemen's medical and hospital benefit programs, and any pony lead fees.

Except for interest earned on the investment of monies in the Horsemen's Bookkeeper Account, and that portion of a pony lead fee as authorized and assessed by the representative of horsemen in the state to provide retirement benefits to horsemen and to pay its administrative and operating costs, withdrawals from the account shall be only for those purposes provided in the above paragraph. The interest earned on the investment of monies in the Horsemen's Bookkeeper Account and that portion of a pony lead fee as provided for above shall be collected by the Horsemen's Bookkeeper and paid, in due course, to the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

After first paying the expenses and other charges necessary to operate the offices of the Horsemen's Bookkeeper, the interest earned on the investment of monies in the Horsemen's Bookkeeper Account by the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. shall be used by it for the benefit of horsemen racing in the state.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**1. Summary of Significant Accounting Policies (continued)**

Organization and Operations (continued)

The account shall at all times be subject to audit by the legislative auditor or by a certified public accountant approved by the legislative auditor, the expenses of such audit to be paid by the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Basis of Presentation

The Bookkeeper Account is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Due to the nature of the Bookkeeper Account's operations, net assets are always expected to be non-existent, therefore, a balance of zero.

Cash Equivalents

For reporting purposes, the Horsemen's Bookkeeper Account considers all highly liquid debt instruments with maturity of three months or less to be considered cash equivalents.

Investments

The Bookkeeper Account's investments consist of certificates of deposit ranging in original maturity from one year to seven years. Investments are recorded at fair value in the statements of assets, liabilities, and net assets – modified cash basis at March 31, 2010 and 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**1. Summary of Significant Accounting Policies (continued)**

**Reclassifications**

Reclassifications have been made to prior year balances to conform to the current year presentation.

**Tax Status**

The Bookkeeper Account is a separate account maintained in the Louisiana Horsemen's Benevolent and Protective Association, 1993, Inc. and does not file a separate tax return. Accordingly, no provision for income taxes has been reflected in the Bookkeeper Account's financial statements.

**2. 2% Commissions – LTBA/LQHBA Breeder Awards**

As prescribed by state law, each licensee conducting race meetings, for which supplements for purses are provided, shall withhold two percent of the total supplemental purses. These funds are forwarded, by the licensee, to the Horsemen's Bookkeeper, who in turn disburses these exact funds to the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., Louisiana Thoroughbred Breeders Association (LTBA), and the Louisiana Quarter Horse Breeders Association (LQHBA). During the years ended March 31, 2010 and 2009, commissions paid were \$1,090,172 and \$1,182,720.

**3. Concentration of Credit Risk**

The Horsemen's Bookkeeper periodically maintains cash in bank accounts in excess of insured limits. The Horsemen's Bookkeeper has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**4. Investments**

Investments consist of the following at March 31:

	<u>2010</u>	<u>2009</u>
Certificates of deposit	\$ 9,845,288	\$ 9,054,994
Government agency securities	228,628	1,027,183
Total	<u>\$ 10,073,916</u>	<u>\$ 10,082,177</u>

Certificates of deposit include cash for re-investment of \$95,152 and \$770,603, at March 31, 2010 and 2009, respectively.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**5. Fair Value Measurements**

The Financial Accounting Standard Board ("FASB") authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The three levels of fair value hierarchy are: Level 1 Measurements—quoted prices, Level 2 Measurements—observable inputs and the lowest priority to unobservable inputs—Level 3 Measurements. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Certificates of deposit (Level 1):* Valued at present value of discounted cash flows.

*Government agency securities (Level 1):* Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Bookkeeper Account believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Bookkeeper Account's assets at fair value as of March 31, 2010.

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 9,845,288	\$ -	\$ -	\$ 9,845,288
Government agency securities	228,628	-	-	228,628
Total	<u>\$ 10,073,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,073,916</u>

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**5. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Bookkeeper Account's assets at fair value as of March 31, 2009.

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 9,054,994	\$ -	\$ -	\$ 9,054,994
Government agency securities	1,027,183	-	-	-
Total	<u>\$ 10,082,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,082,177</u>

**6. Commitments and Contingencies**

Effective August 15, 2009, The State Legislature of Louisiana amended Revised Statute 4:185(A). The amendment of this statute provides for the investment of funds by the Horsemen's Bookkeeper to include the granting of a loan for the repayment of certain and pending claims for overpayments of purses made by Harrah's Bossier City Investment Company, L.L.C. d/b/a Louisiana Downs provided the loan is at interest, secured by statutorily dedicated purse revenue streams of Louisiana Downs, and the claims are the subject of a final judgment of dismissal from the court of record based upon a final mutual release and settlement agreement between the horsemen and entities claiming overpayment of purses. This provision is an exception to any and all statutory provisions which govern the statutorily dedicated purse revenue streams.

**7. Related Party Transactions**

During the years ended March 31, 2010 and 2009, the Bookkeeper by legislative statutes collected amounts on behalf of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., and the Pension Trust as summarized below:

	2010	2009
LAHBPA - workers' compensation fees	\$ 981,997	\$ 1,212,305
LAHBPA - interest transfer to 1993, Inc.	387,286	390,827
LAHBPA - pony lead fees - 1993, Inc.	387,090	154,039
LAHBPA - pony lead fees - Pension trust	-	244,049
Horsemen's Alliance (PAC)	43,010	44,232
Miscellaneous transfer to 1993, Inc.	5,405	37,507

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**8. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 14, 2010, and determined there were no items for disclosure.

**9. Event Subsequent to the Date of the Independent Auditors Report (unaudited)**

Various state and federal agencies are investigating the LAHBPA entities including 1993 Inc. and Subsidiaries, the Louisiana Horsemen's Pension Trust, and the Louisiana Horsemen's Medical Benefit Trust. On November 18, 2010, the federal government issued indictments against the LAHBPA Board President and the Executive Director. Management is not aware of any impact on the financial statements of the Bookkeeper Account as a result of the ongoing investigations and related indictments.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Directors

Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.  
Horsemen's Bookkeeper Account

We have audited the financial statements of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account as of and for the year ended March 31, 2010, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bookkeeper Account's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account in a separate letter dated October 14, 2010.

This report is intended solely for the information and use of the Legislative Auditor of the State of Louisiana, the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Nettewill*

Metairie, Louisiana  
October 14, 2010



Postlethwaite  
& Netterville

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To the Board of Directors  
Louisiana Horsemen's Benevolent and Protective Association 1993 Inc.  
Horsemen's Bookkeeper Account.

In planning and performing our audit of the financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account (Bookkeeper Account) as of and for the year ended March 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Bookkeeper Account's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the effectiveness of the Bookkeeper Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bookkeeper Account's internal control.

However, during our audit we became aware of several matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Bookkeeper Account's internal control in our *Government Auditing Standards* letter dated October 14, 2010. This letter does not affect our report dated October 14, 2010 on the financial statements of the Bookkeeper Account.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be please to discuss them in further detail at your convenience.

The Bookkeeper Account's written responses to the comments identified in Attachment I and Attachment II have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
October 14, 2010

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**MANAGEMENT LETTER COMMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**2010-1 Overdraft Horsemen Accounts**

Condition: During the audit we noted that at March 31, 2010, the Bookkeeper Account has \$185,830 of overdraft accounts.

Recommendation: P&N recommends that management implement a policy to limit overdraft accounts and to perform regular review of overdraft accounts. This review should be documented. Management should also review the existing overdraft accounts and determine a source of funding to reimburse the Bookkeeper Account.

Management Response and Corrective Action: We concur with the recommendation. We have the ability to ask racing stewards to scratch a horse from a race if an owner has an overdraft account. The steward's compliance with our request has prompted a positive response from owners to fund their accounts. We will continue to monitor the situation and will continue to ask the stewards to prohibit delinquent owners from starting horses in future races until their account balances are current. We hope that this process will eliminate most of the delinquent balances.

**2010-2 Dormant Horsemen Accounts**

Condition: During our audit, we noted that at March 31, 2010, the Bookkeeper Account has \$722,150 of dormant accounts with no activity within the previous two years. When the Bookkeeper posts a transaction to a dormant account, the Internal Auditor is alerted electronically through InCompass.

Recommendation: P&N recommends that the Internal Auditor maintain documentation of review of the dormant account activity.

Management Response and Corrective Action: In June 2010, the Internal Auditor began documenting the review process on dormant accounts that become active. The amounts available in dormant accounts belong to owners, jockeys and trainers. Our by-laws permit all dormant account monies to be used for the benefit of the horsemen. Annually, we mail notices to dormant account owners and have had some success in reaching them. Our most difficult task is locating current addresses for these owners. We are considering publishing on our website a link where owners can contact us to provide new contact information.



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**MANAGEMENT LETTER COMMENTS (CONTINUED)**

**FOR THE YEAR ENDED MARCH 31, 2010**

**2010-3 Jockey Payroll Tax Withholding Amounts**

Condition: During our audit, we noted that at March 31, 2010, the Bookkeeper Account has \$46,215 of payroll withholding taxes for payroll to Jockey's with no taxpayer identification number.

Recommendation: P&N recommends that management consult legal counsel to determine appropriate resolution of the balance at March 31, 2010. P&N also recommends that management implement procedures to obtain taxpayer identification numbers for existing account holders and new accounts going forward.

Management Response and Corrective Action: We will remit the withheld amounts to the appropriate agencies. We continually attempt to acquire taxpayer identification numbers from account holders. However, we are not able to stop those without taxpayer identification numbers from earning amounts from the race tracks. As a result we follow the backup withholding rules issued by the IRS.

**2010-4 Bank Reconciliations**

Condition: During the audit we noted that the bank reconciliations for the Bookkeeper Account are prepared on a weekly basis and reviewed by management. This review is not documented.

Recommendation: P&N recommends that the review of the bank reconciliation should be documented.

Management Response and Corrective Action: We concur with the recommendation and have begun documenting the review of bank reconciliations.



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**MANAGEMENT LETTER COMMENTS (CONTINUED)**

**FOR THE YEAR ENDED MARCH 31, 2010**

**2010-5 Segregation of duties**

Condition: During our audit, we noted that limited segregation of duties exist for each Bookkeeper. The Bookkeeper position at each location can create new accounts, input the transaction into InCompass, execute transactions, and transfer funds between accounts.

Recommendation: The Organization does have detective controls in place to review Bookkeeper activity; however, P&N recommends the following controls as either improved documentation of existing procedures or additional procedures that are not currently being performed.

- Management should obtain and review a report of new accounts created on at least a monthly basis and document this review. In addition, management should improve procedures to verify that new accounts have provided a valid address and taxpayer identification number.
- Management should obtain and review a report of transfers between accounts to verify that transfers are properly recorded and approved. This review should be documented.
- The Internal Auditor currently receives an electronic alert when a check greater than \$50,000 is generated. Management should retain documentation of this review.
- On a weekly basis, when the bank reconciliations are prepared, management should review disbursement check copies in excess of \$10,000 for unusual payments. This review should be documented.

Management Response and Corrective Action: We agree with the recommendations and have begun the documentation of the authorization of reviewing new accounts and checks over \$50,000. Additionally, we are working with our software vendor to provide the reports necessary to monitor transfers and other types of account transactions. Currently, someone independent of the bank statement reconciliation process reviews statements and enclosures prior to the reconciliation process. We feel that this control mitigates the risk of improper transactions and we will continue to perform this control procedure.

**2010-6 Horsemen Account Statements**

Condition: During our audit, we noted that account statements are only mailed to each account holder on an annual basis when the 1099's are prepared.

Recommendation: P&N recommends that management mail statements to account holders on a more frequent basis throughout the year.

Management Response and Corrective Action: Account statements are available on-line, by telephone, or at bookkeeper offices at the four race tracks in Louisiana and at our home office. We have attempted to make account statement access convenient for our members. We don't agree with mailing statements as we have a very transient membership and feel that the cost of mail far outweighs any benefit that can be derived.



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**MANAGEMENT LETTER COMMENTS (PRIOR YEAR COMMENTS)**

**FOR THE YEAR ENDED MARCH 31, 2010**

**M09-01 Stamped Signed Checks**

Condition: During the audit we noted that the entity uses and has used for years, stamped signatures to sign checks. We also would like to note that the entity secures the stamps in a locked safe. We recommend the entity consider utilizing a password protected electronic signature system. We believe use of such a system would increase controls over cash disbursements and reduce the opportunity for misappropriation of cash.

Management Response and Corrective Action: We concur with the recommendation. We are in the process of changing our banking relationships and must get approval on the types of signatures that the bank will accept. Additionally, we have begun discussions with our software provider to create unique use ID's and passwords that will allow us to authorize and identify electronic signatures on check disbursements. We expect to have this process implemented in 2011. Our current procedure of reconciling the bank statements on a weekly basis helps to mitigate the risk of unauthorized transactions.

**M09-02 Old Outstanding Checks**

Condition: During our audit of cash, we noted that the outstanding check list for the operating checking account at March 31, 2010 contained checks dating as early as November 2003. Through discussions with management, it was determined that the status of these "old" outstanding checks had been investigated or considered by accounting personnel. We recommend that management establish a formal, written policy concerning outstanding checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks would be moved to a suspense account. After attempts to contact the payee has been exhausted, and at the expiration of the prescribed holding period these funds should be remitted to the State's Unclaimed Property Division.

Management Response and Corrective Action: We will consult with our legal advisors to determine whether these unclaimed amounts are subject to escheat laws. If they are then we will begin the process of remitting unclaimed money to the appropriate agencies.

**M09-10 Required Signatures for Check Pick-up**

Condition: During the test of transactions for cash disbursements, we noted several checks that had been claimed, but no signature on file to evidence who obtained the check. The Horsemen's Bookkeeper current internal control policy requires a signature for all checks claimed. We recommend that the existing internal controls over cash be reviewed for adequacy. Additionally, these policies (inclusive of any required revisions) should be strictly adhered to ensure effective controls over cash disbursements.

Management Response and Corrective Action: We have reviewed this control procedure with our personnel and feel that the situation has been corrected. We will continue to monitor compliance with this procedure.

